GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:633
ANSWERED ON:28.07.2006
GUIDELINES FOR FOREIGN BANKS
Singh Baba Shri K.C.

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has issued any guidelines to foreign banks functioning in India for monitoring the accounts of certain category of Indian Nationals;

(b) if so, the details thereof and the reasons for issuing such orders;

(c) the action to be taken by the Government against foreign banks which fail to act according to RBI orders;

(d) whether the Government has studied extending this orders to the public sector banks as well; and

(e) if so, the details thereof ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a), (b), (c), (d) & (e):- No order has been issued by Reserve Bank of India (RBI) specifically to foreign banks for monitoring the accounts of certain category of Indian Nationals. However, RBI in its circular dated November 29, 2004 have issued guidelines to all Commercial Banks. The guidelines contained in the circular are intended to prevent banks from being used by criminal elements for money laundering activities. Banks were advised to frame their own policies for opening accounts keeping in view the key elements viz Customer Acceptance Policy, Customer Identification Procedures, Monitoring of Transactions, and Risk Management etc. Any contravention of the guidelines by banks may attract penalties under the relevant provisions of Banking Regulation Act, 1949.